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September 10, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie R. Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: CC Docket No. 00-251
In the Matter of Petition of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. for Arbitration of an Interconnection Agreement With Verizon Virginia, Inc. Pursuant to Section 252(e)(5) of the Telecommunications Act of 1996

Dear Ms. Salas:

Enclosed for filing on behalf of AT&T and its affiliates listed above, please find an original and 3 copies of AT&T's Revised Direct Testimony of David Talbott and John D. Schell, Jr. and AT&T's Revised Rebuttal Testimony of David Talbott and John D. Schell, Jr. Please substitute these revised versions for the original versions filed July 31, 2001, and August 17, respectively.

These revisions are necessary to:

- Add Mr. Schell's name to the testimony. Mr. Schell has worked closely with Mr. Talbott in the preparation of the testimony and accompanying materials. Adding Mr. Schell to the witness panel will help facilitate the development of a complete record on these critically important network architecture issues.

- Correct certain errors in AT&T's studies analyzing the cost of implementing Verizon's and AT&T's competing Point of Interconnection ("POI") proposals. The corrections, which result in only minor changes in the study results, are necessary to correct the list of trunk groups and trunk quantities used in the study (e.g., to remove the costs of certain interLATA trunk groups which were inadvertently included in the original presentation, to remove the costs associated with trunk groups that were pre-built within AT&T's switch, but are not in service, to add the costs associated with trunk groups not included in the original presentation, etc.)

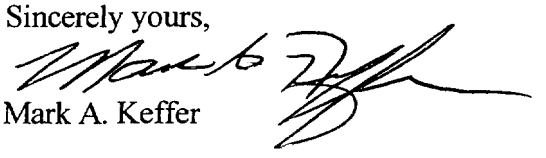
and to correct typographical and formula errors. Correcting the studies now, in advance of the hearings, ensures that Verizon and others have a full opportunity to review the changes prior to hearing. To that end, AT&T will, of course, respond fully to any appropriate Verizon discovery on the study revisions.

- Correct non-substantive typographical errors.

To aid the parties in locating the changes, AT&T is filing redlined copies of the revised direct and rebuttal testimonies as well as detailed lists of the substantive changes. AT&T is also filing revised copies of Exhibits DLT-5, DLT-6, DLT-10, and DLT-11. These exhibits were revised to reflect the changes listed above.

Should you have any questions, please do not hesitate to call.

Sincerely yours,



Mark A. Keffer

cc: Service List
Enclosures

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Petition of AT&T Communications	)	
of Virginia, Inc., Pursuant	)	
to Section 252(e)(5) of the	)	
Communications Act, for Preemption	)	**CC Docket No. 00-251**
of the Jurisdiction of the Virginia	)	
State Corporation Commission	)	
Regarding Interconnection Disputes	)	
with Verizon-Virginia, Inc.	)	
	)	

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of September, 2001, a copy of the Revised Direct Testimony of David L. Talbott and John D. Schell, Jr. and a copy of the Revised Rebuttal Testimony of David L. Talbott and John D. Schell, Jr. filed on behalf of AT&T Communications of Virginia, Inc. and its affiliates listed above, was sent via hand delivery, Federal Express and/or by email to:

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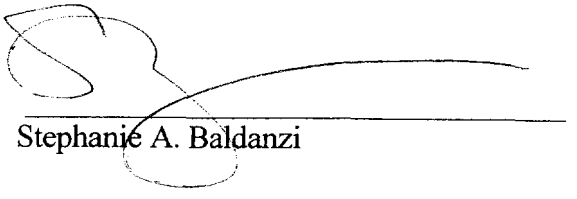

Stephanie A. Baldanzi

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of **Petition of AT&T Communications** **of Virginia, Inc., Pursuant** **to Section 252(e)(5) of the Communications Act,** **for Preemption** **of the Jurisdiction of the Virginia** **State Corporation Commission** **Regarding Interconnection Disputes** **with Verizon-Virginia, Inc.**	)	**CC Docket No. 00-251**

REVISED REBUTTAL TESTIMONY OF
DAVID L. TALBOTT
AND JOHN D. SCHELL, JR.
ON BEHALF OF AT&T[1]
PUBLIC VERSION

ISSUES ADDRESSED	
Issue I.1	***Point of Interconnection*** Should each Party be financially responsible for all of the costs associated with its originating traffic that terminates on the other Parties' network; regardless of the location and/or number of points of interconnection, as long as there is at least one Point of Interconnection per LATA?
Issue III.1	***Tandem Transit Service*** Does Verizon have an obligation to provide transit service to AT&T for the exchange of local traffic with other carriers, regardless of the level of traffic exchanged between AT&T and the other carriers?
Issue III.3	***Meet Point Interconnection*** Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?
Issue VII-6	***Limitations on AT&T's POI*** Should Verizon be forced to offer interconnection facilities and hubbing at central offices other than those intermediate hub locations identified in the NECA 4 tariff?
Issue V.2	***Interconnection Transport*** What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?
Issue III.4.B.	***Trunk Disconnection*** Should Verizon have the unilateral ability to terminate trunk groups to AT&T if Verizon determines that the trunk groups are underutilized?
Issue V.I	***Competitive Tandem Service*** Should Verizon be permitted to place restrictions on UNEs so as to preclude AT&T from providing competitive

[1] This Affidavit is presented on behalf of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. (together, "AT&T").

	tandem services?
Issue I.6	***Virtual FX Traffic*** Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?
Issue V.8	***Competitive Tandem Service*** Should the contract terms relating to the Parties' joint provision of terminating meet point traffic to an IXC customer be reciprocal, regardless of which Party provides the tandem switching function? Put another way, should the contract terms make clear that AT&T and Verizon are peer local exchange carriers and should not bill one another for meet point traffic?
Issue III.5	***Tandem Rate*** Where the geographic coverage of an AT&T switch is comparable to that of a Verizon tandem, should AT&T and Verizon receive comparable reciprocal compensation for terminating the other parties' traffic?
Issue VII-8	Should AT&T be permitted to pay the end office rate for delivery to Verizon's tandem, and thereby avoid paying its fair share of transport costs by failing to pay that tandem rate?

September 10, 2001

Q. PLEASE STATE YOUR NAMES, BUSINESS ADDRESSES AND POSITIONS FOR THE RECORD.

A. My name is David L. Talbott; I am a District Manager in the Local Services and Access Management group in AT&T Network Services. In this position, I am responsible for the development and negotiation of interconnection agreements between AT&T and incumbent local exchange carriers, focusing on network interconnection issues. My business address is 3737 Parke Drive, Edgewater, Maryland 21037.

My name is John D. Schell, Jr. I am a contract employee in the Local Services Access Management group in AT&T Network Services. My business address is 3033 Chain Bridge Road, Oakton, Virginia 22185.

Q. ARE YOU THE SAME DAVID L. TALBOTT AND JOHN D. SCHELL THAT FILED DIRECT TESTIMONY WITH THIS COMMISSION ON THIS DOCKET ON JULY 31, 2001?

A. Yes.

Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY.

A. We are responding to the testimony submitted by Donald E. Albert and Peter J. D'Amico on behalf of Verizon pertaining to Network Architecture ("Verizon's Network Interconnection Testimony") and the testimony submitted by Steven J. Pitterle and Peter J. D'Amico on behalf of Verizon pertaining to Intercarrier Compensation ("Verizon's Intercarrier Compensation Testimony").

In general, the positions of Verizon were anticipated and addressed in our Direct Testimony, so we will not repeat the comprehensive discussions of the

issues here but rather focus on certain discrete points that require an additional response.

Q. BASED ON YOUR REVIEW OF VERIZON'S TESTIMONY, CAN YOU IDENTIFY ANY COMMON THEMES ASSOCIATED WITH VERIZON'S POSITIONS ON NETWORK ARCHITECTURE AND RECIPROCAL COMPENSATION.

A. Yes. As we stated in our Direct Testimony, and as is borne out in Verizon's Network Architecture and Intercarrier Compensation Testimony, Verizon's positions are designed to maximize AT&T's cost, minimize AT&T's network efficiencies, prevent AT&T from providing legitimate competitive services, while at the same time requiring it to provide Verizon with services or support that it is not otherwise required to provide.[1]

As we pointed out in our Direct Testimony, consumers are not going to derive the full range of benefits that local exchange competition can deliver if regulators limit themselves to the traditional local telephony paradigm as the basis for resolution of network architecture issues. Rather, the appropriate competition-enhancing (and pro-consumer) policies and rules are those that will accommodate new and different network strategies and decisions that, in turn, will result in consumers receiving innovative new service and service options. Verizon's testimony, however, demonstrates that its positions rely upon its embedded network architecture, its existing local calling areas, and its historical network engineering standards as the foundation for many of the proposed decisions. In other words, Verizon wants to maintain the *status quo*. For example, Verizon's

POI proposals are based upon its existing network architecture and its current local calling areas; Verizon's tandem transit proposals and direct trunking proposals rely upon its own network engineering standards; and Verizon's proposals on AT&T's FX-like service are based upon its existing local calling areas and tariffs. Put simply, everything in Verizon's proposals is intended to perpetuate Verizon's control of the network and, it follows, its near-monopoly control of the market. Those policies, while certainly in Verizon's self interest, are not in the best interests of competition or in the best interests of consumers.

Another general theme that is prevalent throughout Verizon's proposals is the assertion that an incumbent should be granted the same rights as those granted exclusively to CLECs under the Act. Despite the Act's clear provisions to the contrary, Verizon claims it should be given a right to select POIs; it should be given a right to collocate in CLEC offices; and, it should be given the right to pay either end office or tandem rates for reciprocal compensation. It suggests that symmetrical treatment under the law in these circumstances is either mandated or is appropriate because it is "fair." But "symmetry" does not equate to "fairness" where one carrier, in this case Verizon, controls virtually all of the market. Both the Act and this Commission have recognized that the significant differences in market power between incumbents and CLECs and the challenges faced by CLECs entering a market that is dominated by the very carrier that CLECs must rely upon for essential services, requires targeted regulation in many cases. Verizon's repeated complaints about equality of treatment and fairness lack any

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[1] Talbott Direct Testimony at 2.

support in either the law or public policy, and are nothing more than Verizon's efforts to preserve its local exchange monopoly.

NETWORK INTERCONNECTION ISSUES

Issue I.1 ***Point of Interconnection*** Should each Party be financially responsible for all of the costs associated with its originating traffic that terminates on the other Parties' network; regardless of the location and/or number of points of interconnection, as long as there is at least one Point of Interconnection per LATA?

Q. HAS VERIZON TAKEN A CONSISTENT POSITION ON EACH PARTY'S OBLIGATION TO DELIVER ITS TRAFFIC TO THE TERMINATING PARTY?

A. No. On this issue (I.1), Verizon takes the position that it is the CLEC's obligation to carry Verizon's traffic to any POI located beyond Verizon's local calling area. Through this proposal Verizon is shifting the costs of transporting its traffic beyond its local calling area to the CLEC. At page 4 of its Network Interconnection Testimony, Verizon says,

> if WorldCom, AT&T or Cox choose to locate only one point of interconnection ("POI") in a LATA, each should be financially responsible for hauling the Verizon VA-originated call to the distant POI when that call leaves the local calling area.

Thus, Verizon ignores the law and its obligation to transport its traffic to the POI chosen by the LEC.

When the traffic is going the other direction, however, Verizon is quick to cite the law for the proposition that it is entitled to be paid its costs of transport and termination for calls originated by the CLEC's customers. At page 24 of its Intercarrier Compensation Testimony, Verizon says,

> In the Local Competition Order, the Commission provided that reciprocal compensation should compensate the

> terminating carrier for the cost of both the transport and termination of the local traffic. "Section 252(d)(2) states that, for the purpose of compliance by an incumbent LEC with Section 251(b)(5), a state commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless such terms and conditions both: (1) provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier, and (2) determine such costs on the basis of a reasonable approximation of the additional costs of terminating such calls."

Verizon cannot have it both ways. Verizon should not be permitted to apply the law when it is in Verizon's favor but disregard the law when Verizon does not find the law in its interest.

In sharp contrast to Verizon, AT&T has taken a consistent position on this issue: the originating party is responsible for the costs to originate, transport and terminate its traffic. That principle applies in all cases to both AT&T and Verizon.

Q. VERIZON ASSERTS THAT ITS POSITION THAT AT&T SHOULD BE REQUIRED TO BEAR VERIZON'S ORIGINATING TRANSPORT COSTS IS SUPPORTED BY THE LOCAL COMPETITION ORDER AT PARAGRAPHS 199 AND 209. DO YOU AGREE WITH VERIZON'S ASSERTION?

A. No. Neither of these paragraphs relates to a carrier's obligation to be financially responsible for its originating transport costs. This originating transport obligation was recently addressed by the FCC in its *Intercarrier Compensation NPRM*, in which it confirmed without exception that the current rules require the

originating carrier to bear the costs of transporting traffic to its point of interconnection with the other carrier.[2]

Paragraphs 199 and 209, (cited by Verizon), do not relate to the originating transport obligation, but rather to interconnection-specific costs.[3] The cited portion of paragraph 199 states that a CLEC that desires a technically feasible but expensive interconnection would, pursuant to §252(d)(1), be required to bear the cost of that interconnection. This sentence is part of a discussion of technically feasible interconnection and refers to the right of an ILEC to recover significant interconnection expenses associated with the *physical linking* of two networks. Said another way, paragraph 199 relates more to the *how* of interconnection, than to the *where.* For example, in this same section, the Commission notes how Congress intended to obligate ILECs to accommodate new entrants' interconnection requests by accepting novel uses of and modification to its network equipment to accommodate the interconnector. It is this type of extra interconnection cost, not originating transport cost, that is referred to in this paragraph.

An example of a more expensive interconnection arrangement would be an analog voice grade interconnection. Since the ILEC would be required to

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[2] In the Matter of Developing a Unified Intercarrier Compensation Regime, *CC Docket No. 01-92, Notice of Proposed Rulemaking,* (Rel. April 27, 2001) at ¶70 ("Intercarrier Compensation NPRM").

[3] *See* Section XI of the *Local Competition Order,* which addresses the originating carrier's transport obligations. *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996,* CC Docket No. 96-98, First Report and Order, FCC 96-325, August 8, 1996. ("Local Competition Order").

provide a digital channel bank or similar functionality to convert the analog signal to digital and to multiplex the individual circuits to the DS-1 circuit level, this is a more expensive form of interconnection than the DS-1 or DS-3 level interconnection typically used by a CLEC, and the carrier requesting that "technically feasible" but expensive interconnection would, pursuant to §252(d)(1), be required to bear the ILEC's cost of that interconnection. Obviously, it is technically feasible to interconnect at the analog voice level, but it is more costly for the ILEC because of the need to purchase and install channel bank equipment to accomplish that feat.

Paragraph 209, as well, is related to the reimbursement of interconnection costs and *not* to the obligation of the originating carrier to transport its calls to the POI. This paragraph, which is part of a discussion of *technically feasible interconnection points*, acknowledges that a particular *technically feasible point* could impose additional interconnection costs on the ILEC. It was meant to make the general point that the economic self-interest of the interconnecting carrier will cause it to choose the most efficient point of interconnection. For example, in the example we cited above, the interconnecting carrier has made an economic tradeoff between providing the analog to digital conversion and multiplexing functionality within its own network and compensating the ILEC for providing the functionality.

Q. DO YOU AGREE WITH THE CHARACTERIZATION VERIZON PROVIDES OF A VERIZON CALL THAT ORIGINATES IN STAUNTON, VIRGINIA THAT VERIZON MUST CARRY TO A CLEC POI IN ROANOKE?

A. No. Verizon's Network Architecture Testimony on this point (at page 7) gives the reader gets the impression that Verizon must incur substantially greater costs to deliver a Verizon call to a CLEC POI in Roanoke than somewhere close by in the Staunton local calling area. The reality is that, the difference in cost to Verizon to carry a call 90 miles versus just a few miles is *de minimis.*

To explain why Verizon is wrong, we will expand the hypothetical example Verizon provided in its testimony. Table 1 shows the Verizon UNE rates for DS-3 and DS-1 inter-office facilities (IOF) between Staunton, Virginia and Stuarts Draft, Virginia, a distance of eight miles, and between Staunton, Virginia and Roanoke, Virginia, a distance of 90 miles. Staunton and Stuarts Draft are both within the Staunton local calling area and, obviously, Staunton and Roanoke are in different local calling areas. As you can see from the Table, Verizon's charges are the same for both distances:.

TABLE 1

	Staunton - Stuarts Draft	Staunton – Roanoke
DS-1 IOF	$35.10	$35.10
DS-3 IOF	$604.53	$604.53
Common Transport	$0.000114 per MOU	$0.000114 per MOU

Q. WHY ARE THE RATES THE SAME?

A. In Virginia, as well as in Maryland and West Virginia, Verizon's UNE transport rates are not distance sensitive. That is, there is no mileage component in the transport rate. This should not come as a surprise, as advances in fiber optic transmission technology over the past decade have reduced the costs of transport by orders of magnitude. Distance has all but been eliminated as a cost-driver for all telephone calls. The only remaining segment of the telephony market where distance remains a pricing factor is local telephony, not coincidentally the only segment of the telephony market, not subject to significant competition.

Q. WHY DID YOU USE UNE RATES IN YOUR COMPARISION?

A. UNE rates are intended to be based on the ILECs forward-looking, incremental costs, which we believe are the relevant costs to consider in this context. While the rates we cite above are subject to change in this proceeding, they still can be used to illustrate the point we make here.

Q. DOESN'T' VERIZON BEAR SOME ADDITIONAL COSTS TO CARRY TRAFFIC LONGER DISTANCES?

A. Yes, but that difference is negligible. Today the preponderance of the transport costs is in the terminating equipment on each end of the circuit and not in the fiber running between the two ends. To deliver its traffic to a CLEC POI, Verizon has to provide two terminating equipment arrangements (one at the originating switch and one at the POI) regardless of the distance between the Verizon switch and the POI.

Even if the Commission were to agree with Verizon that the CLEC had some financial responsibility to carry Verizon's traffic to a POI outside of Verizon's local calling area or some other geographic area, (which it should not), the CLEC should only be responsible for the *additional incremental costs* to deliver traffic beyond that area. It is clear, though, that these additional costs are *de minimis* since Verizon's existing UNE dedicated and common transport rate structures are not mileage sensitive. Apparently, the difference is so small that it simply isn't worth the effort for Verizon to track and bill those costs. In the same vein, it wouldn't be worth the effort to attempt to track and bill those costs for interconnection purposes.

Q. VERIZON CITES A DECISION OF THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION ("PSC") AS GOOD PRECEDENT FOR THE POI ISSUES. DO YOU AGREE?

A. No. Not only did the South Carolina PSC disregard the law, (as we discuss at pages 11 and 19 of our Direct Testimony) it also applied flawed reasoning to arrive at its decision. Its decision (along with a similar decision in North Carolina) are at odds with the overwhelming majority of other states that have addressed the issue.

Q. WHAT IS WRONG WITH THE SOUTH CAROLINA DECISION?

A. Essentially, the South Carolina PSC is saying that the additional costs of interconnection resulting from facilities-based competition should be borne solely by the competitor. This gives BellSouth a special preferred status, exempting it from the additional costs associated with interconnecting the two networks.

This is bad policy. As we stated in our Direct Testimony, decisions such as this, which are based on the local telephony paradigm, impose substantial and unnecessary costs on AT&T and other CLECs. If local competition is to be encouraged, this Commission must see outside the local telephony paradigm and reassert the policies and rules that accommodate the different strategies, network designs and economic constraints of AT&T and other CLECs.

Q. HAVE OTHER STATES REJECTED THE SOUTH CAROLINA VIEW?

A. Yes. Other than the two Carolinas[4], very other state arbitrating this issue has rejected the view that the CLEC is solely responsible for transporting the incumbent LEC's traffic to the CLEC POI. Most recently, on July 30, 2001, the New York Public Service Commission issued its Arbitration Order for interconnection between AT&T/TCG and Verizon in which the New York Commission affirmed its earlier network interconnection prediction and policy:

> CLEC's network's, in all likelihood, would not mirror the incumbent's. This has proven correct... The policy established in our Competition II proceeding, that remains applicable, assumes that a carrier is responsible for the costs to carry calls on its own network.

Notwithstanding different network architectures, the New York PSC ordered:

> We reject Verizon's proposal and shall keep in place the existing framework that makes each party responsible for the costs associated with the traffic that their respective

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[4] As Verizon noted on page 10 of its Network Architecture Testimony, the North Carolina Utilities Commission has also held that if AT&T interconnects at points within the LATA but outside BellSouth's local calling area, AT&T should compensate BellSouth or be responsible for transport beyond the local calling area.

customers originate until it reaches the point of interconnection.[5]

This decision, and others like it which we cite in our Direct Testimony on pages 20-22, represent the Commissions that "got it right".

Q. IS VERIZON OFFERING AT&T A SIMILAR PROPOSAL TO THE ONE ADOPTED BY THE NORTH CAROLINA AND SOUTH CAROLINA COMMISSIONS?

A. No. Verizon's proposal is far worse that what was ordered in the Carolinas. It would require CLECs to establish many more POIs than are required under Bell South's proposal. Bell South sought one POI per local calling area whereas Verizon is seeking, under its VGRIP proposal, one POI *per rate center*[6] (a single local calling area may be composed of numerous rate centers), *one POI per CLEC collocation* and *one POI per end office at which the volume of traffic exceeds a single DS-1.*

By way of example, under the terms of BellSouth's proposal, Verizon could require only two POIs for the Northern Virginia portion of LATA 236 (one for Stafford, Virginia and one for the rest of Northern Virginia), whereas under Verizon's VGRIP proposal, its could require 19 or more POIs (one for each Verizon rate center).

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[5] Order, *Joint Petition of AT&T Communications of New York, Inc, TCG New York, Inc., and ACC Telecommunications Corp. Pursuant to Section 252 (b) of the Telecommunications Act of 1996 for Arbitration to establish an Interconnection Agreement with Verizon New York, Inc.*, Case 01-C-0095 *(July 30, 2001).*

[6] As I discussed at pages 25-27 and at pages 89-90 of my Direct Testimony, Verizon's legacy local calling areas and rate centers are an artifact of a monopoly era and Verizon's network architecture.

Q. VERIZON ASSERTS (AT PAGE 11) "VERIZON VA IS OFFERING TO THE PETITIONERS THEIR CHOICE OF INTERCONNECTION POINTS THAT ARE LOCATED WITHIN A REASONABLE DISTANCE OF THEIR CUSTOMERS ORIGINATING THE CALL." IS THIS MISLEADING?

A. Yes, for two reasons. First, considering the several conditions under which Verizon may unilaterally designate a Verizon IP (the point at which the CLEC becomes financially responsible to transport Verizon's traffic) under Verizon's proposal, it is disingenuous to assert that Verizon "offers the Petitioners their choice of interconnection points..." Although Verizon's contract language states that when any one of the conditions is met, *either party* may designate such location an IP, it is highly unlikely that any CLEC would voluntarily elect to designate such location an IP, because to do so would mean the CLEC is assuming the obligation to transport Verizon's traffic without any compensation.

Second, Verizon's assertion implies that a POI close to the CLEC customers is the most efficient location for a POI. This may be true for Verizon's network architecture, but it is not true in many circumstances for AT&T's network architecture. When there is a substantial concentration of customers in a geographic area, it may be more efficient for the CLEC to serve this narrow geographic area with its own POI. However, where customers are dispersed, a single POI, nearer to the CLEC switch, which serves a large geographic area, is more efficient.

The key point here is the Commission should not permit Verizon to dictate what POI location amounts to "efficient interconnection" for the CLEC. That is a choice for the CLEC to make.

Q. VERIZON COMPLAINS (BEGINNING ON PAGE 13) THAT AT&T'S PROPOSAL DOES NOT ALLOW THE PARTIES TO INDEPENDENTLY CHOOSE THE POINT OF INTERCONNECTION THAT BEST SERVES THAT CARRIER'S NEEDS. HOW DO YOU RESPOND?

A. Verizon's complaint is not with AT&T's proposal, but with the law itself. This theme pervades Verizon's Network Architecture Testimony – that it is unfair to Verizon for CLECs to have interconnection rights that are not reciprocal. That argument, no matter how many times Verizon repeats it, is blind to the fact that the law gives CLECs the ability to select the point of interconnection as a way to offset Verizon's (and other ILECs') pervasive market power stemming from their large size and ubiquitous presence. Section 251(b)(2) requires Verizon (and other ILECs) to provide interconnection at any technically feasible point on Verizon's network. CLECs have no such obligation under the Act or FCC rules. AT&T's contract proposal is entirely consistent with the Act.

Verizon can, however, under AT&T's proposal, establish a separate POI for its traffic since the parties have agreed to use a one-way trunking arrangement. Nevertheless, Verizon is unhappy that it must obtain AT&T's mutual agreement as to where it would interconnect to AT&T's network. Such mutual agreement is necessary and appropriate for the reasons we stated on pages 33-36 of our Direct Testimony.

Absent mutual agreement, there needs to be a default POI location set forth in the Agreement. Otherwise, Verizon would be in a position to hold AT&T's network interconnection hostage to its interconnection wishes. That is why AT&T's proposed contract terms provide:

> VERIZON shall interconnect to the AT&T network (i.e., establish a POI) for the delivery of ESIT originating on the VERIZON network at such point mutually agreed to between the Parties *or, lacking mutual agreement, at each respective AT&T Switch serving the terminating end user.*[7]

As part of AT&T's default POI proposal, AT&T provides that Verizon may use the equipment that Verizon has placed in AT&T serving wire centers to provide AT&T exchange access services to furnish itself local interconnection trunks.[8] This provision provides two advantages to Verizon. First, it is an efficient POI location, because AT&T would not have to provide, and Verizon would not pay for, any transport. Second, it enables Verizon to self-provision its own trunking facilities without having to lease interconnection facilities from AT&T. If Verizon utilized this arrangement, the portion of the Verizon equipment used to establish interconnection trunks would be subject to the terms and charges of AT&T's Space License.

Q. VERIZON STATES (AT PAGE 15), "WHEN AT&T PICKS ITS ONE POI PER LATA, VERIZON VA HAS NO CHOICE ABOUT WHERE IT CAN DROP OFF ITS ORIGINATING TRAFFIC." IS THIS ASSERTION CORRECT?

A. No. AT&T and Verizon have agreed to use a one-way trunking arrangement, which provides each party the ability to independently choose its POIs, though Verizon's choice, as we explained above, is limited to those locations to which AT&T mutually agrees. AT&T has no obligation under the law to make such an

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[7] AT&T Proposed Interconnection Agreement, Schedule Four §§ 1.1 - 1.3 (emphasis added).

[8] Schedule 4, Part B, § 2.1.1

offer to Verizon, yet does so, so that Verizon would have some discretion on the location of its POIs.

Q. VERIZON ARGUES (AT PAGE 15) THAT "BECAUSE VERIZON VA HAS MORE PLACES ON ITS NETWORK FROM WHICH AT&T CAN PICK AND CHOOSE WHERE TO DELIVER ITS ORIGINATING TRAFFIC, AT&T CAN LIMIT ITS TRANSPORT COSTS. IT LIMITS ITS TRANSPORT COSTS BECAUSE WITH MORE POINTS AT WHICH AT&T CAN "DROP OFF" ITS ORIGINATING TRAFFIC, THE FEWER MILES ITS TRAFFIC TRAVELS BEFORE IT IS HANDED OFF." IS THIS ASSERTION CORRECT?

A. No. This is an illogical assertion and only serves to confuse the issue. As we explained in our Direct Testimony beginning on page 10, each carrier is responsible for delivering its originating traffic to the POI. Between the originating customer and the POI, the costs of delivery are identified as the origination costs, and the facilities that bring the traffic to that point are the interconnection facilities. From the POI to the terminating customer, the terminating carrier assumes operational responsibility to take that traffic to the designated end user and the originating carrier pays the terminating carrier for the costs of that carriage. The costs associated with the terminating side of the POI, are generally known as the termination costs. Accordingly, the originating carrier is responsible for the collective costs (interconnection facilities and transport) to carry its traffic between the originating and terminating switches.

The location of a POI affects both the amount of reciprocal compensation one carrier pays the other carrier and the carrier's own network costs, but, in no case can the location of the POI actually reduce the distance that traffic must be

carried to less than the direct route between the originating and terminating switches.

AT&T's proposal gives each party the option to establish one-way direct trunks for its traffic between its originating switch and the terminating switch of the other party. This means, simply, that one party is not tied to the other's choice of interconnection location or method. For example, AT&T may elect to tandem route its traffic to Verizon, while Verizon may elect to direct end office route its traffic to AT&T. This approach gives both parties comparable opportunities to independently determine and implement efficient routing of their traffic to the other party.

Q. VERIZON ARGUES (AT PAGES 16-17) THAT A CLEC SHOULD BE REQUIRED TO SURRENDER ITS COLLOCATION SPACE TO VERIZON BECAUSE, IN VERIZON'S WORDS, "THIS IS AN EFFICIENT USE OF FACILITIES BECAUSE THE PETITIONER ALREADY HAS EXISTING FACILITIES IN PLACE BETWEEN THE COLLOCATION SITE AND THE PETITIONER'S SWITCH. SINCE BOTH PARTIES HAVE A PRESENCE IN THE VERIZON VA WIRE CENTER, IT IS A NATURAL POINT TO EXCHANGE TRAFFIC." WHAT IS WRONG WITH THIS VIEW?

A. There are a number of inaccuracies in Verizon's assertion that we will explain more fully below. At bottom, however, this is just another version of Verizon's oft-repeated complaint that the Telecommunications Act is unfair to Verizon.

Verizon proposes that where a CLEC has established a collocation arrangement at a Verizon serving wire center, Verizon should be permitted to require the CLEC to carry Verizon's traffic through the CLEC's collocation arrangement. This is Verizon's way of "taking back" what Verizon feels is an

unequal and unfair obligation: that Verizon must provide the CLECs collocation, but the CLECs are not required to reciprocate. If adopted, Verizon's "surrendered collocation" proposal would frustrate the CLEC's use of their legitimately and lawfully acquired collocation space and possibly thwart local market entry by collocated CLECs. Instead of using the collocation space for their own business needs, the CLECs, under Verizon's proposal, would be forced to devote a substantial portion of their collocation space and equipment to exchanging traffic with Verizon.

Moreover, Verizon's assertion that surrendered collocation is an efficient use of facilities is misleading. There is no question that it would reduce Verizon's costs for it to use CLEC's collocation space and transport facilities between the collocation and the CLEC switch *at no charge*. However, this arrangement would be expensive and burdensome for the CLEC.

Even if the Commission were to require Verizon to compensate the CLEC for surrendered collocation and transport, such unilateral action by Verizon could frustrate CLEC market entry, as we discuss below. We want to emphasize that not all such arrangements are bad or uneconomic. Indeed, there are circumstances where AT&T may want to agree to them. Such agreements, however, should be *voluntary*, not mandatory. Indeed, when such an arrangement has advantages for the CLEC, the parties likely will come to mutual agreement on the matter.[9]

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[9] This issue was previously discussed in my Direct Testimony at pages 32 and 33.

Another inaccuracy inherent in Verizon's position on this issue is Verizon's claim that it lacks adequate network facilities between the CLEC collocation and the CLEC switch. That is nonsense. Verizon is the incumbent LEC for its territory. It has a virtually ubiquitous network. It is simply untrue that Verizon does not have the capability to carry its own traffic to the CLEC switch. That is certainly the case with regard to AT&T. Many AT&T local switches are deployed in the same locations as AT&T's long distance switches. Verizon has high capacity fiber optic facility systems to each of these locations to provide exchange access services to AT&T's long distance business. As we stated previously, AT&T would agree to allow Verizon to place its local interconnection trunks in these facilities under the terms of AT&T's Space License.

A third inaccuracy associated with Verizon's position on this matter is the claim that the CLECs already have existing facilities in place between the collocation site and the CLEC switch. When AT&T establishes a collocation arrangement miles from the AT&T network, AT&T generally leases facilities from Verizon to interconnect the collocation arrangement with the rest of AT&T's network. Under Verizon's proposal, AT&T would need to lease additional facilities from Verizon so that Verizon could put *its* traffic on them. This would be doubly damaging for AT&T, in that AT&T would have to pay Verizon to lease facilities to help Verizon reduce its costs. This is not only counter to the Act, but is entirely unreasonable and illogical.

Last, it is completely false that AT&T's refusal to agree to surrender its collocation space to Verizon "serves no other purpose other than to load unnecessary costs on Verizon." This assertion ignores the fact that the law and current rules permit CLECs to choose an efficient interconnection arrangement for themselves in order to foster local competition. We have been clear throughout our testimony that where AT&T is not adversely affected, it will accommodate Verizon and will not force Verizon to interconnect at the same POI or use the same trunk routes or facilities that AT&T elects for its traffic. AT&T recognizes that each party is in the best position to determine the most efficient method to deliver its traffic to the other party, so Verizon may select its own POI, subject to AT&T's mutual agreement. However, AT&T will not agree to provide, and the Commission should not provide Verizon with the right to unilaterally designate, an interconnection arrangement that would be inefficient for AT&T. Accordingly, the Commission should reject out of hand Verizon's proposal that it may designate a CLEC collocation as an interconnection point.

Q. HAS VERIZON OFFERED AT&T A COMPROMISE PROPOSAL ON THE POI ISSUE?

A. On page 11 of Verizon's Network Architecture Testimony, Verizon asserts that it had developed "a compromise between the Petitioners' proposal and Verizon VA's GRIP proposal." That was news to AT&T. Verizon has not provided any such proposal to the AT&T negotiating team, nor has Verizon asked to re-open discussions on the POI issue.

Q. DOES VERIZON DESCRIBE THIS NEW "COMPROMISE" PROPOSAL IN ITS TESTIMONY?

A. Not really. Verizon did not attach any new contract terms to its testimony and Verizon describes its "compromise" proposal only in the most general terms. However, from Verizon's description of VGRIP, as Verizon calls its new proposal, we do not discern any significant difference between Verizon's prior GRIP proposal, which we discussed in our Direct Testimony, and its new VGRIP proposal. It certainly does not appear to be much of a "compromise."

Q. HAVE YOU BEEN ABLE TO OBTAIN A COPY OF VERIZON'S VGRIP PROPOSAL?

A. Possibly, but we cannot be certain. Attached as Exhibit A to the testimony of Mr. Donato Grieco and Mr. Gary Ball of WorldCom are contract terms purported to be Verizon's VGRIP proposal to WorldCom. We can only surmise that Verizon intends to offer the same arrangement to AT&T.

Q. WHAT ARE THE SUBSTANTIVE DIFFERENCES BETWEEN VERIZON'S GRIP PROPOSAL AND ITS VGRIP PROPOSAL AS SET FORTH IN THE EXHIBIT A CONTRACT LANGUAGE ATTACHED TO WORLDCOM'S TESTIMONY?

A. Under the GRIP proposal it is unclear as to the number of end offices in which AT&T would be required to establish an IP, because any one of a variety of conditions may trigger Verizon's right to require AT&T to establish an IP. However, under its VGRIP proposal as set forth in WorldCom's Exhibit A, Verizon makes it quite clear that AT&T would have to establish an IP at *each of*

the 310 Verizon rate centers in Virginia, where AT&T offers local exchange service.[10]

Q. ARE THERE OTHER PROBLEMS WITH VERIZON'S "COMPROMISE" VGRIP PROPOSAL?

A. Yes. As with its GRIP proposal, the VGRIP proposal violates the requirement that the originating carrier is responsible for the costs of transporting its traffic to the point of interconnection with the terminating carrier. Verizon's VGRIP proposal, as described on page 12 of Verizon's Network Interconnection Testimony, simply provides that Verizon deliver its traffic only as far as its end office, where a CLEC is collocated, or at a tandem wire center. AT&T would still be responsible to pick up the traffic at those locations and carry it to its switch for termination. Thus, Verizon is still transferring a significant portion of its originating transport costs to AT&T in violation of the law. Moreover, as we explained in our Direct Testimony on pages 32-33, and again in this testimony, AT&T should not be required to surrender or share its collocation space with Verizon.

Q. DOESN'T VERIZON'S NETWORK ARCHITECTURE TESTIMONY CLAIM THAT VERIZON MAY REQUIRE CLECS TO ESTABLISH AN IP AT A COLLOCATION SITE IN EACH VERIZON VA TANDEM WIRE CENTER?

A. Yes, that is what the testimony says, but the proposed contract terms set forth in WorldCom's Exhibit A do not even mention tandem wire center interconnection. However, even if Verizon's language clearly provided that Verizon could only

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[10] Direct Testimony of Donato Grieco and Gary Ball, Exhibit A, § 7.1.1.1

require that CLECs establish an IP at each Verizon tandem wire center, such interconnection terms would still be unlawful and require AT&T to bear a disproportionate share of network interconnection costs.

Q. HAVE YOU DETERMINED THE COSTS TO EACH PARTY UNDER VERIZON'S VGRIP PROPOSAL?

A. There is virtually no difference in the costs to each party between Verizon's GRIP proposal and the VGRIP proposal as set forth in WorldCom's Exhibit A. Thus, the cost study we already provided in our Direct Testimony would be a reasonable estimate of the costs to each party under that VGRIP proposal.

Q. WHAT WOULD BE THE COSTS TO EACH PARTY UNDER VERIZON'S VGRIP PROPOSAL AS DESCRIBED IN VERIZON'S TESTIMONY?

A. As we stated above, the VGRIP proposal is described in the testimony in only the most general terms, so it is difficult to fully understand what Verizon might be proposing. However, Verizon might be proposing that for tandem routed traffic Verizon's and AT&T's IP (using Verizon's terminology) would be at the applicable Verizon tandem switch location, and for direct end office routed traffic Verizon's and AT&T's IP would be at the Verizon end office location (hereafter referred to as the "Tandem Compromise"). In other words, with respect to tandem routed traffic, Verizon would carry its traffic from the originating switch to the tandem location and AT&T would be obligated to carry Verizon's traffic from the tandem to the AT&T switch without any compensation from Verizon.

Q. WOULD THIS TYPE OF TANDEM COMPROMISE PROPOSAL BE ACCEPTABLE TO AT&T?

A. No. As we noted above, even this type of compromise proposal would be unacceptable to AT&T because it still inappropriately allocates network interconnection costs to AT&T and would have a significant adverse financial impact on AT&T.

Q. WHAT COST SUPPORT DO YOU HAVE DEMONSTRATING THAT SUCH A TANDEM COMPROMISE PROPOSAL WOULD HAVE A SIGNIFICANT ADVERSE FINANCIAL IMPACT ON AT&T?

A. I have modified the cost study attached to our Direct Testimony as Exhibit DLT-6 to show the costs allocated to each party under this Tandem Compromise proposal. We have assumed in this analysis that: (1) AT&T would be fully responsible for the costs to carry AT&T's traffic from the AT&T originating switch to the AT&T POI (interconnection facility costs) and from the AT&T POI to the Verizon terminating switch (transport charges from Verizon); (2) for Verizon's tandem routed traffic, Verizon would be responsible for the costs to carry Verizon's traffic from the Verizon originating switch to the Verizon tandem switch and AT&T would be responsible for the costs to carry Verizon's traffic from the Verizon tandem switch to the POI (AT&T's terminating switch in this study); and (3) for Verizon's direct end office routed traffic, AT&T would be responsible for the costs to carry Verizon's traffic from the Verizon end office to the POI.

Q. PLEASE DESCRIBE THE BASIC METHODOLOGY USED TO DEVELOP YOUR COST ESTIMATES FOR THIS NEW COST STUDY.

A. The methodology used to develop the new cost study is nearly identical to the methodology used to develop Exhibit DLT-6 set forth in our Direct Testimony. We relied upon traffic usage reports to determine the number of interconnection trunks in place today between AT&T's switches and Verizon's tandems and end offices. To obtain the costs to be allocated to each party under the AT&T POI proposal, the end office and tandem trunk quantities were allocated to each party in proportion to the historic balance of traffic between the parties. To obtain the costs to be allocated to each party under this Tandem Compromise proposal, the end office and tandem trunk quantities were allocated wholly to AT&T. The cost of the transport for in-place trunk groups to the end offices and tandems was then calculated based on the number of DS-1 or DS-3 circuits[11] and the miles between the switches based on the V&H data in the Local Exchange Routing Guide ("LERG").

In addition, we applied a new cost factor in this study. Under the Tandem Compromise proposal, common transport costs (the cost of transport between the Verizon tandem and end office switches) were allocated in proportion to the historic balance of traffic between the parties. Exchange access rates were used to determine the costs to each party for dedicated transport and UNE rates were used to determine the cost to each party for common transport. In addition, we applied

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[11] DS-3 circuits were utilized when the aggregate cost of the required number of DS-1 circuits exceeded the cost of a DS-3 circuit.

a growth factor to the usage data that allowed me to price out the impact of Verizon's proposal in years 2 through 5.

Q. DID YOU USE THE SAME BASIC ASSUMPTIONS TO DEVELOP THIS NEW COST ESTIMATE AS YOU USED FOR EXHIBIT DLT-6?

A. Yes.

Q. PLEASE DESCRIBE THE COST STUDY IN MORE DETAIL.

A. A two-page summary of the cost analysis is attached to our testimony as Exhibit DLT-10 ("Summary Work Sheet"). A complete Microsoft Excel file of the cost study has been provided with our testimony on an accompanying Diskette labeled Exhibit DLT-11. The cost analysis is composed of five work sheets as follows: Summary; DEOT; Tandem; Common and FG-D.

The **Summary Work Sheet** sums the applicable entries from each of the other work sheets into two sections. The top section specifies the costs to AT&T and Verizon under the AT&T POI proposal. The lower section specifies the costs to AT&T and Verizon under the Tandem Compromise proposal. Within each of these sections, each row is labeled to reference the worksheet from which the data was taken. Additionally, each cell is linked to its data source, which can be identified by clicking on that cell using Microsoft Excel. At the very bottom of the Summary Work Sheet is a table that calculates monthly per-line costs to AT&T and Verizon respectively under each of the cost scenarios.[12]

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[12] The number of AT&T lines used was developed from preliminary data that AT&T is accumulating to report to the FCC for the semi-annual FCC Report on Local Competition

The **DEOT Work Sheet** is identical to the DEOT Work Sheet in Exhibit DLT-6, the **Tandem Work Sheet** is identical to the Tandem 1 Work Sheet in Exhibit DLT-6, and the **FG-D Work Sheet** is identical to the FG-D Work Sheet in Exhibit DLT-6.

The **Common Work Sheet** in the Microsoft Excel file calculates the cost to carry tandem routed traffic between the Verizon tandem and Verizon end office. The common transport costs assume that each tandem trunk carries 100,000 minutes per year. Because Verizon is not asserting that exchange access rate apply to common transport, UNE rates are used to calculate these costs.

** **BEGIN PROPRIETARY**

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as of June 30, 2001. The number of Verizon lines is taken from the Loop Analysis Report and Tracking ("LART") System data provided by Verizon with its cost study.

END PROPRIETARY **

Q. YOUR STUDY HIGHLIGHTS THE DIFFERENCES AMONG THE VARIOUS POI PROPOSALS. IN CONDUCTING YOUR STUDY, DID YOU REFLECT AT&T'S RECOMMENDATIONS REGARDING THE APPLICABILITY OF UNE TRANSPORT RATES?

A. No. Had we done so, the costs in the "AT&T Proposal" line would have been substantially lower. In order to isolate the impact of the different POI approaches, We assumed, for the limited purposes of the study, that Verizon would assess access rates for leased transport. As the Commission knows, however, in Issue V.2 the parties are arbitrating whether access rates or UNE rates should apply to this traffic. Had we reflected UNE rates in our study (which is AT&T's recommendation on Issue V.2), the costs per line under the "AT&T Proposal" would have been substantially lower than what we showed in the study.

Q. TURNING NOW TO THE "RECIPROCAL COLLOCATION" ISSUE, VERIZON STATES ON PAGE 28 OF ITS TESTIMONY THAT CLECS SHOULD GIVE VERIZON THE OPTION TO COLLOCATE AT A CLEC'S PREMISE BECAUSE IT IS FAIR AND WILL GIVE BOTH PARTIES SEVERAL OPTIONS FOR INTERCONNECTION. WHAT IS WRONG WITH VERIZON'S POSITON?

A. For starters, it is wrong under the law. As Mr. Nurse discusses in more detail, the Act requires Verizon to make collocation available, but imposes no such reciprocal obligation on CLECs. That fact alone resolves the issue.

Q. IS AT&T REFUSING TO PROVIDE VERIZON WITH SPACE IN AT&T'S LOCATIONS?

A. No. AT&T cannot be *forced* to offer collocation, but it is *willing* to do so under certain condtions. AT&T has offered Verizon a space license agreement (Schedule 4.2.2) which would permit Verizon to utilize space and power in AT&T facilities in order to terminate Verizon's traffic. It also provides, as we noted above, in Schedule 4, Part B, § 2.1.1, that if Verizon is providing an exchange access entrance facility to a certain AT&T switch center and the terminating equipment used to provide such exchange access entrance facility has spare capacity, then Verizon may, at its discretion, use the spare capacity of such equipment to establish transport facilities for the purpose of terminating its traffic under the terms of the Space License. Thus, AT&T is offering Verizon more than AT&T is required to provide by law.